



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Middlesex Hospital

**Docket Number:** 02-533

**Project Title:** Relocate, Expand and Consolidate Marlborough Medical Center and Diagnostic Imaging Center

**Statutory Reference:** Section 19a-639 of the Connecticut General Statutes

**Filing Date:** October 7, 2002

**Hearing:** Waived

**Decision Date:** November 1, 2002

**Default Date:** January 5, 2003

**Staff:** Harold M. Oberg  
Sandra E. Czunas

**Project Description:** Middlesex Hospital (“Hospital”) proposes to relocate, expand and consolidate its Marlborough Medical Center and Diagnostic Imaging Center to a new facility to be located at 14 Jones Hollow Road in Marlborough, and to upgrade and replace the diagnostic radiology equipment at these facilities, at a total capital cost of \$5,729,000.

**Nature of Proceedings:** On October 7, 2002, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Middlesex Hospital for the relocation, expansion and consolidation of its Marlborough Medical Center and Diagnostic Imaging Center to a new facility to be located at 14 Jones Hollow Road in Marlborough, and to upgrade and replace the diagnostic radiology equipment at these facilities, at a total capital cost of \$5,729,000. The Hospital is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Hospital requested a waiver of hearing for the CON application pursuant to Section 19a-643-45 of OHCA's Regulations and claimed that the CON application is non-substantive as defined in Section 19a-643-95(3) of OHCA's Regulations. On October 10, 2002, the Hospital was informed that the CON application was eligible for consideration of waiver of hearing, and a notice to the public was published in the *Middletown Press* and in the *Hartford Courant*. OHCA received no comments concerning the Hospital's request for waiver of hearing during the public comment period, and therefore, on October 30, 2002, OHCA granted the Hospital's request for waiver of hearing.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-639, C.G.S. The provisions of this section as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

## **Findings of Fact**

*Each finding of fact included in this Final Decision has been taken from the CON application and related CON filings, or from other external sources of information. A source reference is included with each finding of fact. All CON applicants must attest to the accuracy and correctness of the information submitted to OHCA as part of the CON application process.*

### **Clear Public Need**

#### **Impact of the Proposal on the Applicant's Current Utilization Statistics Proposal's Contribution to the Quality of Health Care Delivery in the Region Proposal's Contribution to the Accessibility of Health Care Delivery in the Region**

1. Middlesex Hospital ("Hospital") is an acute care general hospital located at 28 Crescent Street in Middletown, Connecticut. *(May 28, 2002 Letter of Intent, Page 1)*
2. Marlborough Medical Center is wholly owned and operated by the Hospital. The Hospital currently operates a satellite Emergency Department and Diagnostic Radiology office ("Center") in separate facilities located respectively at 8 Hebron Road and 175 Independence Drive in Marlborough, Connecticut. *(September 3, 2002 CON Application, Page 1 and October 7, 2002 Completeness Responses, Page 4)*
3. The towns located in the Center's service area include Colchester, East Haddam, East Hampton, Haddam, Hebron, Marlborough, Portland and Salem. *(May 28, 2002 Letter of Intent, Attachment A and September 3, 2002 CON Application, Pages 5 and 6)*
4. The Hospital proposes to consolidate its currently dispersed Emergency Department and Diagnostic Radiology office that are located in separate facilities into one new facility to be located at 14 Jones Hollow Road in Marlborough, and to upgrade and replace the diagnostic radiology equipment located at these facilities, at a total capital cost of \$5,729,000. *(September 3, 2002 CON Application, Page 1 and October 7, 2002 Completeness Responses, Pages 2 and 18)*

5. The opportunity to consolidate the Hospital's emergency and imaging services in a new facility in Marlborough, across from the Hospital's current Emergency Center location and adjacent to the town's fire station, presented itself when a group of primary care physicians acquired a site. The physicians group, known as MHC-1 LLC, is currently developing a building that will house their new offices at this location. *(May 28, 2002 Letter of Intent, Attachment B and October 7, 2002 Completeness Responses, Page 2)*
6. MCH-1 LLC has agreed to sell the new facility, once construction has been completed, to an affiliate of the Hospital for \$3,924,000. The Hospital will then lease space in the new facility from its affiliate. *(October 7, 2002 Completeness Responses, Page 2)*
7. The new facility will consist of a one-story, wood-framed structure, with a partial basement, sloped roofs, and siding to match other buildings in the neighborhood. The site grades allow the MRI/technology dock to be located so as to allow level access from the on-grade Radiology/Emergency floor, with parking all around the building. A helipad is located between the fire station and the new facility. *(October 7, 2002 Completeness Responses, Page 3)*
8. The new facility will allow the consolidation of the Hospital's diagnostic imaging services with its expanded Emergency Center, which has grown from less than 6,000 patient visits in 1992 to approximately 15,000 patient visits in 2002. *(May 28, 2002 Letter of Intent, Attachment B)*
9. The Hospital is not proposing the addition of any new services at its facilities in Marlborough other than those services that have been previously approved by OHCA. The Hospital is proposing to replace some of its diagnostic imaging equipment items, which are over 20 years old, add a mammography unit and upgrade both the Hospital's Emergency Center and Diagnostic Imaging Center equipment as part of the CON proposal. *(September 3, 2002 CON Application, Pages 1 and 7)*
10. Currently, the Hospital's mobile CT scanner and an X-ray unit are located at the Emergency Center, while the other diagnostic radiology equipment is located several hundred yards away, at the Diagnostic Imaging Center. The Hospital proposes to locate all of its diagnostic imaging services in immediate proximity to its emergency services in the new facility. *(September 3, 2002 CON Application, Page 1)*
11. The existing facility, in which most of the diagnostic imaging equipment is located, has severe electro-mechanical limitations that have prevented the Hospital from upgrading certain of these equipment items. However, the new facility will be able to accommodate these diagnostic imaging equipment upgrades and replacements. *(May 28, 2002 Letter of Intent, Attachment B)*
12. The Hospital's new Center in Marlborough will make possible the relocation of a multi-slice CT scanner from its current mobile unit to a fixed location at the new Center. *(May 28, 2002 Letter of Intent, Attachment B and October 26, 2001 OHCA Report Number 01-R3)*

13. The mobile CT scanner began operating at the Emergency Center in June 2002 and regularly scans 8 patients per day at this location. As the Hospital's existing facilities cannot accommodate both the addition of a CT scanner and a mobile Magnetic Resonance Imaging ("MRI") unit, patients from the service area must travel to other locations or have been transported to other facilities in order to receive MRI services. *(September 3, 2002 CON Application, Page 3)*
14. On July 21, 1998, OHCA granted CON authorization under Docket Number 98-519 to Middlesex Hospital to operate a mobile MRI unit at three different locations including the Middlesex Medical Center in Marlborough, at a total capital cost of \$2,533,455. *(July 21, 1998 OHCA Final Decision, Middlesex Hospital, Docket Number 98-519)*
15. On October 2, 2002, OHCA granted CON authorization under Docket Number 02-531 to Middlesex Hospital to expand its mobile Positron Emission Tomography ("PET") scanning services to three locations including the Middlesex Hospital Marlborough Medical Center, with no associated capital expenditure. *(October 2, 2002 OHCA Final Decision, Middlesex Hospital, Docket Number 02-531)*
16. The Hospital plans to make both mobile MRI and mobile PET scanning services available at the new facility in Marlborough. The new facility's plans include a technology dock for a mobile MRI scanner, which will likely operate at the new facility for 1 or 2 days per week initially at a cost of \$5,000 per MRI day of service, and mobile PET scanning services will also be offered at the new facility. *(September 3, 2002 CON Application, Pages 6 and 7)*
17. The Hospital provided the following actual and projected Emergency Room visits and Diagnostic Radiology tests at the current and proposed Center in Marlborough: *(September 3, 2002 CON Application, Page 12)*

**ER Visits and Diagnostic Radiology Tests**

<b>Fiscal Year</b>	<b>Emergency Room Visits</b>	<b>Diagnostic Radiology Tests</b>
FY 1997	13,641	9,863
FY 1998	13,433	10,403
FY 1999	14,194	10,666
FY 2000	14,290	11,254
FY 2001	14,465	12,173
FY 2002 Estimated	14,756	13,990
FY 2003 Estimated	15,103	14,769
FY 2004 Estimated	15,247	16,003
FY 2005 Estimated	15,537	17,106
FY 2006 Estimated	15,812	18,355

18. The Hospital provided the following projected CT scans and mobile MRI scans to be performed at the current and proposed Center in Marlborough: *(September 3, 2002 CON Application, Page 12)*

**Projected CT & MRI Scans**

<b>Fiscal Year</b>	<b>CT Scans</b>	<b>MRI Scans</b>
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FY 2002 Estimated	400	0
FY 2003 Estimated	2,000	0
FY 2004 Estimated	2,300	1,021
FY 2005 Estimated	2,645	1,225
FY 2006 Estimated	3,042	1,470

19. The Hospital provided a comparison between the Center's existing and proposed total departmental gross square feet ("GSF") by major project area space component as follows: *(October 7, 2002 Completeness Responses, Page 4)*

**Existing and Proposed GSF**

Description	Emergency Center GSF	Diag. Imaging Center GSF	Existing Centers GSF	Proposed Center GSF
Emergency	3,681	0	3,681	8,675
Radiology	364	1,063	1,427	4,954
Shared Space	0	0	0	1,430
Misc. Space	3,968	592	4,560	6,686
Total Space	8,013	1,655	9,668	21,745

20. The estimated schedule for new construction, licensure and occupancy related to the Hospital's CON proposal is as follows: *(October 7, 2002 Completeness Responses, Page 4)*

**Estimated Schedule**

Schedule Description	Date
Commencement Date	December 2002
Completion Date	September 2003
DPH Licensure Date	September 2003
Occupancy Date	September 2003

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant's Rates and Financial Condition  
 Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services**

21. The Hospital's Center relocation, expansion and consolidation project has a proposed total capital cost of \$5,729,000. A breakdown of the CON proposal's total capital cost is as follows: *(October 7, 2002 Completeness Responses, Pages 14 and 15)*

**Proposed Total Capital Costs**

Description	Total
Major Medical Equipment (Purchase)	\$ 1,203,000
Movable Equipment (Purchase)	302,000
Building Renovations	200,000
Other Costs (Non-Renovation)	100,000
<b>Total Capital Expenditure</b>	<b>\$ 1,805,000</b>
Building Capital Lease (FMV)	3,924,000
<b>Total Capital Cost</b>	<b>\$ 5,729,000</b>

22. The CON proposal includes the purchase of diagnostic radiology fixed equipment totaling \$1,203,000 and miscellaneous movable equipment totaling \$302,000 for a

grand total of \$1,505,000, which is presented as follows: *(September 3, 2002 CON Application, Pages 7 and 8)*

**Various Equipment Costs**

<b>Fixed and Movable Equipment</b>	<b>Total Cost</b>
Routine Mammography Room	\$ 175,000
Additional Mammography Unit	95,000
Mammography Alternator	20,000
Mammography Processor	15,000
Digital R/F System	400,000
Computed ED Radiography	250,000
Expansion Project Accessories	100,000
Radiologists Image Workstation	35,000
Digitizer	48,000
Dry Laser Imager	65,000
<b>Total Fixed Equipment</b>	<b>\$1,203,000</b>
Medical Equipment (Misc.)	\$106,000
Furniture and Furnishings	78,000
Office Equipment	82,000
Other Equipment	36,000
<b>Total Movable Equipment</b>	<b>\$ 302,000</b>
<b>Total Fixed and Movable Equipment</b>	<b>\$1,505,000</b>

23. The CON proposal's total capital cost of \$5,729,000 will be financed with an equity contribution of \$1,805,000 from the Hospital's operating funds and building capital lease financing of \$3,924,000. *(October 7, 2002 Completeness Responses, Page 15)*

24. The Hospital provided a letter confirming that Middlesex Health Resources, Inc., a corporate affiliate of Middlesex Hospital, will purchase the new Center from the physician group, MHC-1 LLC, upon the completion of construction. The purchase price will be \$3,924,000 inclusive of all design and construction costs, construction financing costs, legal fees and building permits. *(October 7, 2002 Completeness Responses, Page 17)*

25. The Hospital projects the following incremental revenue from operations, operating expense, and gain/(loss) from operations associated with the CON proposal: *(October 7, 2002 Completeness Responses, Page 53)*

**Projected Incremental Revenue from Operations**

<b>Description</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Incremental Revenue from Operations	\$ 689,486	\$ 880,088	\$ 1,110,538
Incremental Operating Expense	945,216	1,033,307	1,146,073
<b>Incremental Gain/(Loss) from Operations</b>	<b>\$ (255,731)</b>	<b>\$(153,219)</b>	<b>\$ (35,535)</b>

26. Based upon net patient revenue, the Hospital's projected payer mix during the first three years of the implementation of the CON proposal is as follows: *(September 3, 2002 CON Application, Page 9)*

**Payer Source**

<b>Payer Source</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare	41.9%	41.9%	41.9%
Medicaid	7.4%	7.4%	7.4%
TriCare	0.1%	0.1%	0.1%
<b>Total Government</b>	<b>49.4%</b>	<b>49.4%</b>	<b>49.4%</b>
Commercial Insurers	41.9%	41.9%	41.9%
Self-Pay	0.9%	0.9%	0.9%
Workers Compensation	3.4%	3.4%	3.4%
<b>Total Non-Government</b>	<b>46.2%</b>	<b>46.2%</b>	<b>46.2%</b>
Uncompensated Care	4.4%	4.4%	4.4%
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## **Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

The following findings are made pursuant to the principles and guidelines set forth in Section 19a-637, C.G.S.:

27. There is no State Health Plan in existence at this time. *(September 3, 2002 CON Application, Page 1)*
28. The Hospital has adduced evidence that this proposal is consistent with the Hospital's long-range plan. *(September 3, 2002 CON Application, Page 1)*
29. The Hospital has implemented various activities to improve productivity and contain costs. *(September 3, 2002 CON Application, Page 4)*
30. The Hospital has no teaching or research responsibilities that would be affected as a result of the proposal. *(September 3, 2002 CON Application, Page 5)*
31. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(September 3, 2002 CON Application, Page 5)*
32. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(September 3, 2002 CON Application, Attachment 4, Pages 18-76 and October 7, 2002 Completeness Responses, Attachment 1, Pages 7-12)*

## **Rationale**

Middlesex Hospital ("Hospital") is proposing to relocate, expand and consolidate its Marlborough Medical Center and Diagnostic Imaging Center ("Center") to a new facility located at 14 Jones Hollow Road in Marlborough, and to upgrade and replace the

diagnostic radiology equipment at these facilities, at a total capital cost of \$5,729,000. The Hospital's proposal forecasts continual annual increases in both projected emergency room visits and diagnostic radiology tests before and after the new facility is constructed. The new facility will allow for the consolidation of the Hospital's diagnostic imaging services with a newly expanded Marlborough Medical Center, which has grown from less than 6,000 emergency visits in 1992 to approximately 15,000 emergency visits in 2002. The Hospital also proposes to upgrade and replace some of its diagnostic radiology equipment items, which are over 20 years old, and add a mammography unit. The Hospital will relocate all of its diagnostic imaging services in immediate proximity to its emergency services in the new facility. The Hospital's CON proposal to replace, expand and consolidate its existing facilities and upgrade and replace associated equipment, will facilitate the processing of the Center's current and projected patient volume.

The Hospital's new Center in Marlborough will make possible the relocation of a multi-slice CT scanner from its current mobile unit to a fixed location at the new Center, and will accommodate the addition of mobile MRI and mobile PET scanning services previously approved by OHCA. The Hospital's CON proposal will improve the delivery of health care services to Marlborough area residents. OHCA finds that the Hospital has demonstrated that its CON proposal is needed for the Hospital to continue to provide patient services in the Marlborough area at a high level of quality, and that the proposal will also significantly improve the accessibility of health care services in the region.

The total capital cost for the proposal is \$5,729,000, which will be financed with both an equity contribution of \$1,805,000 from the Hospital's operating funds and with building capital lease financing of \$3,924,000. Middlesex Health Resources, Inc., a corporate affiliate of the Hospital, will purchase the new facility after it is constructed and lease space in the new facility to the Hospital. The Hospital projects incremental losses from operations of \$(255,731), \$(153,219) and \$(35,535) during the first three years of operation of the new facility. However, these losses from operations are quite minimal and result from the increased depreciation and lease expense related to the capital costs required to implement the CON proposal. Therefore, OHCA finds that the CON proposal will not only improve the quality and accessibility of the Hospital's health care services provided in Marlborough but that the CON proposal is also both financially feasible and cost-effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Middlesex Hospital to relocate, expand and consolidate its Marlborough Medical Center and Diagnostic Imaging Center to a new facility to be located at 14 Jones Hollow Road in Marlborough, and to upgrade and replace the diagnostic radiology equipment at these facilities, at a total capital cost of \$5,729,000, is hereby GRANTED.

## **Order**

Middlesex Hospital ("Hospital") is hereby authorized to relocate, expand and consolidate its Marlborough Medical Center and Diagnostic Imaging Center to a new facility to be located at 14 Jones Hollow Road in Marlborough, and to upgrade and replace the diagnostic radiology equipment at these facilities, at a total capital cost of \$5,729,000, subject to the following conditions:

1. This authorization shall expire on November 1, 2004. Should the Hospital's Marlborough facilities relocation, expansion and consolidation and equipment upgrading and replacement project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved capital cost of \$5,729,000. In the event that the Hospital learns of potential cost increases or expects that the final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised project budget.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the  
Office of Health Care Access

November 1, 2002  
Date

Signed by:  
Mary M. Heffernan  
Commissioner

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